

AMENDED IN ASSEMBLY APRIL 22, 2014

CALIFORNIA LEGISLATURE—2013–14 REGULAR SESSION

ASSEMBLY BILL

No. 2576

Introduced by Assembly Member Harkey
(Coauthors: Assembly Members Conway, Hagman, Wagner, and Wilk)

February 21, 2014

An act to amend Sections 17072 and 19184 of, to amend and repeal Sections 17131.4, 17131.5, 17215.1, and 17215.4 of, and to add Sections 17138.5 and Section 17216 to, the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

LEGISLATIVE COUNSEL'S DIGEST

AB 2576, as amended, Harkey. Income tax: health savings accounts.

The Personal Income Tax Law authorizes various deductions in computing income that is subject to tax under that law.

This bill would, for taxable years beginning on or after January 1, 2014, allow a deduction in connection with health savings accounts in conformity with federal law. In general, the deduction would be an amount equal to the aggregate amount paid in cash during the taxable year by, or on behalf of, an eligible individual, as defined, to a health savings account of that individual, as provided. This bill would, for taxable years beginning on or after January 1, 2014, also provide related conformity to that federal law with respect to the allowance of rollovers from Archer Medical Savings Accounts, health flexible spending arrangements, or health reimbursement accounts to a health savings account, and penalties in connection therewith.

This bill would take effect immediately as a tax levy.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. Section 17072 of the Revenue and Taxation Code
2 is amended to read:
3 17072. (a) Section 62 of the Internal Revenue Code, relating
4 to adjusted gross income defined, shall apply, except as otherwise
5 provided.
6 (b) Section 62(a)(2)(D) of the Internal Revenue Code, relating
7 to certain expenses of elementary and secondary school teachers,
8 shall not apply.
9 (c) Section 62(a)(21) of the Internal Revenue Code, relating to
10 attorney's fees relating to awards to whistleblowers, shall not
11 apply.
12 (d) *For taxable years beginning on or after January 1, 2014,*
13 Section 62(a)(19) of the Internal Revenue Code, relating to health
14 savings accounts, shall apply, as modified by Section 17216.
15 ~~(e) The amendments made to this section by the act adding this~~
16 ~~subdivision shall apply only to taxable years beginning on or after~~
17 ~~January 1, 2014.~~
18 SEC. 2. Section 17131.4 of the Revenue and Taxation Code
19 is amended to read:
20 17131.4. (a) Section 106(d) of the Internal Revenue Code,
21 relating to contributions to health savings accounts, shall not apply.
22 (b) This section shall apply to taxable years beginning on or
23 after January 1, 2005, and before January 1, 2014.
24 (c) This section shall remain in effect only until January 1, 2019,
25 and as of that date is repealed.
26 SEC. 3. Section 17131.5 of the Revenue and Taxation Code
27 is amended to read:
28 17131.5. (a) Section 125(d)(2)(D) of the Internal Revenue
29 Code, relating to the exception for health savings accounts, shall
30 not apply.
31 (b) This section shall apply to taxable years beginning on or
32 after January 1, 2005, and before January 1, 2014.
33 (c) This section shall remain in effect only until January 1, 2019,
34 and as of that date is repealed.

~~SEC. 4. Section 17138.5 is added to the Revenue and Taxation Code, to read:~~

~~17138.5. For taxable years beginning on or after January 1, 2014, Section 106 of the Internal Revenue Code, as amended by Section 302 of the federal Tax Relief and Health Care Act of 2006 (Public Law 109-432), relating to health savings accounts, shall apply, except as otherwise provided.~~

~~SEC. 5.~~

SEC. 4. Section 17215.1 of the Revenue and Taxation Code is amended to read:

17215.1. (a) Section 220(f)(5) of the Internal Revenue Code, relating to rollover contributions, shall not apply.

(b) This section shall apply to taxable years beginning on or after January 1, 2005, and before January 1, 2014.

(c) This section shall remain in effect only until January 1, 2019, and as of that date is repealed.

~~SEC. 6.~~

SEC. 5. Section 17215.4 of the Revenue and Taxation Code is amended to read:

17215.4. (a) Section 223 of the Internal Revenue Code, relating to health savings accounts, shall not apply.

(b) This section shall apply to taxable years beginning on or after January 1, 2005, and before January 1, 2014.

(c) This section shall remain in effect only until January 1, 2019, and as of that date is repealed.

~~SEC. 7.~~

SEC. 6. Section 17216 is added to the Revenue and Taxation Code, to read:

17216. For taxable years beginning on or after January 1, 2014, all of the following shall apply:

(a) Section 223 of the Internal Revenue Code, relating to health savings accounts, shall apply, except as otherwise provided.

(b) Section 223(e)(1) of the Internal Revenue Code shall be modified by substituting the phrase "Section 17651" for the phrase "Section 511 (relating to imposition of tax of unrelated business income of charitable, etc., organizations)," contained therein.

(c) Section 223(f)(4)(A) of the Internal Revenue Code shall be modified by substituting "2.5 percent" for "~~20 percent~~," "~~10 percent~~," contained therein.

1 ~~SEC. 8.~~

2 ~~SEC. 7.~~ Section 19184 of the Revenue and Taxation Code is
3 amended to read:

4 19184. (a) A penalty of fifty dollars (\$50) shall be imposed
5 for each failure, unless it is shown that the failure is due to
6 reasonable cause, by any person required to file who fails to file
7 a report at the time and in the manner required by any of the
8 following provisions:

9 (1) Subdivision (c) of Section 17507, relating to individual
10 retirement accounts.

11 (2) Section 220(h) of the Internal Revenue Code, relating to
12 ~~medical savings accounts reports~~ for taxable years beginning on
13 or after January 1, 1997.

14 (3) Section 223(h) of the Internal Revenue Code, relating to
15 ~~health savings accounts reports~~.

16 (4) Subdivision (b) of Section 17140.3 or subdivision (b) of
17 Section 23711 relating to qualified tuition programs.

18 (5) Subdivision (e) of Section 23712, relating to Coverdell
19 education savings accounts.

20 (b) (1) Any individual who:

21 (A) Is required to furnish information under Section 17508 as
22 to the amount designated nondeductible contributions made for
23 any taxable year, and

24 (B) Overstates the amount of those contributions made for that
25 taxable year, shall pay a penalty of one hundred dollars (\$100) for
26 each overstatement unless it is shown that the overstatement is due
27 to reasonable cause.

28 (2) Any individual who fails to file a form required to be filed
29 by the Franchise Tax Board under Section 17508 shall pay a
30 penalty of fifty dollars (\$50) for each failure unless it is shown
31 that the failure is due to reasonable cause.

32 (c) Article 3 (commencing with Section 19031) of this chapter
33 (relating to deficiency assessments) shall not apply in respect of
34 the assessment or collection of any penalty imposed under this
35 section.

36 (d) The amendments made to this section by the act adding this
37 subdivision shall apply to taxable years beginning on and after
38 January 1, 2014.

1 ~~SEC. 9.~~

2 *SEC. 8.* This act provides for a tax levy within the meaning of

3 Article IV of the Constitution and shall go into immediate effect.

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